

FISCAL NOTE

SB 2414 - HB 2947

April 14, 2004

SUMMARY OF BILL: Prohibits any elementary, middle, or high school in Tennessee from selling food in vending machines. Schools shall only be allowed to sell food to students through the school cafeteria, and may provide foods for sale outside the cafeteria so long as the food is not offered through a vending machine.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$800,000

Increase Local Govt. Expenditures* - Exceeds \$1,000,000

Increase Local Govt. Revenues - Exceeds \$1,000,000

Decrease Local Govt. Revenues - Exceeds \$1,000,000

Estimate based on the following:

- Local school systems currently use vending machine funds for school activities. Therefore, the absence of vending machine funds would decrease revenues for schools currently relying on vending collections to support the school budget. For example, schools use these funds for school supplies (copy paper, floor wax, toilet paper, etc.) after regular school supply funds are exhausted. Such decrease in local government revenues is expected to exceed \$1,000,000 statewide.
- It is assumed that due to the loss of school revenues, local government expenditures could increase in a corresponding amount exceeding \$1,000,000.
- Assumes school cafeterias will experience increased revenues as a result of students' inability to purchase food from vending machines, though the increase could be less than the amount of revenues lost to schools. However, it is anticipated that the increase in revenues to school cafeterias could exceed \$1,000,000 statewide.
- Assumes a loss of sales tax revenue from the prohibition against the purchase of food items through vending machines. Such loss of revenues is estimated to be approximately \$830,000 for the state and \$290,000 for local governments.
- School cafeterias would not be required to sell foods formerly available through vending machines, and students would not be required to purchase them. However, the bill does not limit the types of foods that school cafeterias could sell.
- Students accustomed to purchasing foods of choice from vending machines could opt to bring food from home rather than purchase from cafeterias.
- Assumes that schools would be allowed to sell food to adults outside the cafeteria (fundraisers), but not through vending machine sales;

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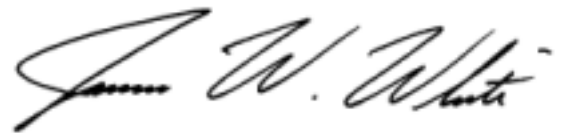
however, it is unclear whether students would be allowed to participate in these fundraisers.

For information purposes: Annual vending machine sales in Tennessee generate \$18,500,000 in state sales taxes and \$6,500,000 in local sales taxes. National industry reports estimate 9% of vending machine sales are due to machines located in schools (K-12 and colleges and universities). Assuming one-half of those sales are in K-12 locations, 4.5% of sales tax collections (\$830,000 state and \$290,000 local) would be affected by the bill.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director